

**ANALYSIS OF THE INFLUENCE OF FINANCIAL LITERACY AND RISK
PERCEPTION ON INVESTING DECISIONS IN THE MILLINEAL
GENERATION IN THE SOCIETY 5.0 ERA**

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Abstract: This research is motivated by the importance of investment decisions for the millennial generation. This study aims to identify and analyze the effect of financial literacy and risk perception on the investment decisions of the millennial generation in the era of society 5.0. This research method is descriptive with a quantitative approach. The sample in this study was 100 millennial generations who were taken by random sampling. The instrument used is a questionnaire distributed via google form. The instruments used have been tested for validity and reliability. The collected data were analyzed using the classical assumption test and multiple linear regression using SPSS version 23.0. The results of this study explain 1) Financial literacy has a positive and significant effect on the investment decision of the millennial generation in the society 5.0 era, 2) Risk perception has a positive and significant effect on the investment decision of the millennial generation in the society 5.0 era, and 3) Financial literacy and risk perception have a positive effect and significant for the investment decision of the millennial generation in the era of society 5.0. The findings of this study indicate that if the millennial generation wants to improve their investment decisions in the era of society 5.0, they must improve their financial literacy and risk perception.

Keywords: *Financial Literacy, Risk Perception, Investment Decisions, Millennial Generation, Era Society 5.0*

1. Introduction

Making investment decisions is one of the important decisions for individuals or groups. This is because investment decisions have the potential to provide high returns, but also have high risks. Therefore, investment decisions must be made carefully and carefully (Arianti, 2020). Investment decisions are influenced by various aspects such as internal factors (such as financial literacy, risk perception, level of trust and level of income) and external factors (such as market conditions and interest rates) (Sari, ND, & Pamikatsih, 2022).

One of the factors that can influence investment decisions is financial literacy. Financial literacy is a person's ability to understand and manage personal finances effectively. This includes the ability to understand basic financial principles, such as cash management, long-term financial planning, and understand financial products such as deposits, stocks and insurance (Lusardi, A., & Mitchell, 2011). Financial literacy also includes the ability to make the right financial decisions, such as choosing the right credit card, comparing mortgage interest rates, and choosing the right retirement plan (Akbar, 2016). Having a high level of financial literacy can help someone manage finances effectively, avoid financial problems, and achieve long-term financial goals (Pradikasari, E., & Isbanah, 2018).

In addition, another factor that can influence investment decisions is risk perception. Risk perception is how one assesses and manages risk. This includes a person's ability to identify risks that may occur, evaluate the level of these risks, and take steps to manage or avoid these risks (Rohrmann, B., & Renn, 2000). Risk perception can also be influenced by factors such as self-confidence, emotional intelligence, and past experience with risk. People who have high self-confidence tend to be easier to take risks, while people who have high emotional intelligence tend to be better at managing risks (Wahyuni, 2018).

Millennials are a generation that grew up in an era of increasingly advanced technology and information. However, even though millennials have wider access to financial information, especially through social media and the internet, not all millennials have a high level of financial literacy. Financial literacy is a person's ability to understand and manage personal finances effectively (Rais, Dien, & Dien, 2018; Djamaludin, 2021).

The era of society 5.0 is an era that marks significant changes in the way individuals and communities access, use and interact with technology. The era of society 5.0 is also an era marked by rapid digital economic growth, which opens up wider investment opportunities for millennials (Rahmawati, Ruslan, & Bandarsyah, 2021; Haqqi, H., & Wijayati, 2019).

Research on the influence of financial literacy and risk perception on investment decisions has been carried out by many previous researchers including (Putri, NMDR, & Rahyuda, H. 2017; Budiarto, A., & Susanti, S. 2017; Pradikasari, E., & Isbanah, Y. 2018; Mutawally, FW, & Asandimitra, N. 2019; Yolanda, Y., & Tasman, A. 2020; Dewi, NPPK, & Krisnawati, A. 2020; Sulistyowati, A., Rianto, MR, Handayani, M., & Bukhari, E. 2022). The majority of previous research results reveal that financial literacy and risk perception influence investment decisions.

Based on the background of the problem and previous studies, the authors are interested in studying the analysis of the influence of financial literacy and risk perception on the investment decisions of the millennial generation in the era of society 5.0. This study aims to identify and analyze the effect of financial literacy and risk perception on the investment decisions of the millennial generation in the era of society 5.0. It is hoped that the findings of this study can provide insight to readers, especially the millennial generation, about the importance of financial literacy and risk perception to improve investment decisions.

2. Research Method

This research is a descriptive research with a quantitative approach. Quantitative research methods have the goal of showing relationships between variables, testing theories, looking for generalizations that have predictive value (Sugiyono, 2015). The sample in this study was 100 millennial generations who were taken by random sampling. The instrument used is a questionnaire distributed via google form. Measurement of financial literacy variables with four indicators from Chen and Volpe (2002) namely general knowledge, saving & borrowing, insurance, and investment. The measurement of the risk perception variable uses nine indicators from Ropeik & Slovic (2003), namely fear, control, origin of risk, choice, newness or not of risk, awareness, bias about what will happen to oneself, risk exchange for benefits, and trust. Meanwhile, the measurement of investment decision variables uses three indicators from Tandelilin (2010), namely the expected rate of return, risk level and the relationship between return and risk. The instruments used have been tested for validity and reliability. The collected data were analyzed using the classical assumption test and multiple linear regression using SPSS version 23.0.

3. Results and Discussion

3.1. Results

Overview of Research Respondents

The number of samples in this study were 100 people. Descriptively the results of the collection and processing of research data are presented in the description below:

a) Respondents Based on Gender

Based on gender, the distribution of respondents can be seen in Table 1 which is presented below:

Table 1.
Distribution of Respondents by Gender

Gender	Frequency	%
Male	70	70
Female	30	30
Total	100	100

Source: Data Processing, 2022

Based on Table 1 above, it is known that the respondents in this study were more male, namely 70%, while only 30% were female.

b) Respondents Based on Age

The sample of this research is the millennial generation aged 24-39 years. The distribution of respondents by age can be seen in Table 2 which is presented below:

Table 2.
Distribution of Respondents by Age

Age	Frequency	%
24 – 29 Years	30	30
30 – 35 Years	30	30
36 – 39 Years	40	40
Total	100	100

Source: Data Processing, 2022

Based on Table 2 above, it is known that more respondents in this study were aged 36-39 years, namely 40%, while those aged 24-29 years and 30-35 years were the same, namely 30%.

c) Respondents by Occupation

Based on work, the distribution of respondents can be seen in Table 3 which is presented below:

Table 3
Distribution of Respondents by Occupation

Profession	Frequency	%
Student (S2/S3)	20	20
Self-employed	50	50
Civil servant	30	30
Total	100	100

Source: Data Processing, 2022

Based on Table 3 above, it is known that the respondents in this study were more of the type of working as entrepreneurs, namely 50%, while the least number of students was only 20%.

Overview of Research Variables

Table 4.
Research Variable Descriptive Analysis

Items	N	Max	Min	Means	std. Deviation
Financial Literacy (FL)	100	5	1	3.50	0.870
Risk Perception (RP)	100	5	1	3.60	0.860
Investment Decision (ID)	100	5	1	3.70	0.870

Source: Data Processing, 2022

Based on Table 4 the value of std. The overall deviation < the mean, this means that the level of distribution of the data is low. Furthermore, the mean financial literacy (FL) is 3.50, which means that the majority of respondents gave answers agreeing to the financial literacy (FL) variable. The mean risk perception (RP) is 3.60, which means that the majority of respondents gave answers agreeing to the risk perception (RP) variable. Lastly, the mean investment decision (ID) is 3.70, which means that the majority of respondents give answers agreeing to the investment decision (ID) variable.

Validity test

Determining whether or not the questionnaire is valid, it is necessary to test the validity. The validity test in this study can be said to be valid if $r \text{ count} > r \text{ table}$ (0.202).

Table 5.
Validity Test Results for Financial Literacy, Risk Perception,
and Investment Decision

Variable	Items	r count	r table	Information
Financial Literacy (FL)	FL1	0.350	0.202	Valid
	FL2	0.405	0.202	Valid
	FL3	0.505	0.202	Valid
	FL4	0.320	0.202	Valid
	FL5	0.535	0.202	Valid
	FL6	0.350	0.202	Valid
	FL7	0.400	0.202	Valid
	FL8	0.405	0.202	Valid
Risk Perception (RP)	RP1	0.401	0.202	Valid
	RP2	0.230	0.202	Valid
	RP3	0.356	0.202	Valid
	RP4	0.315	0.202	Valid
	RP5	0.402	0.202	Valid
	RP6	0.310	0.202	Valid
	RP7	0.330	0.202	Valid
	RP8	0.251	0.202	Valid
	RP9	0.403	0.202	Valid
Investment Decision (ID)	ID1	0.250	0.202	Valid
	ID2	0.303	0.202	Valid
	ID3	0.405	0.202	Valid
	ID4	0.325	0.202	Valid
	ID5	0.430	0.202	Valid
	ID6	0.400	0.202	Valid

Source: Data Processing, 2022

Reliability Test

Table 6.
Reliability Test Results

Variable	Cronbach's Alpha	Information
Financial Literacy (FL) (X1)	0,850	Reliable
Risk Perception (RP) (X2)	0.875	Reliable
Investment Decision (ID) (Y)	0,825	Reliable

Source: Data Processing, 2022

Classic assumption test

a) Normality test

Table 7.
Kolmogorov-Smirnov One Sample Normality Test Results

Significance	Information
.280 ^{c,d}	Normal Distribution

Source: Data Processing, 2022

A model is said to be normally distributed if the difference value and significance value (Sig). > 0.05 . Based on the table above, it can be seen that this model is normally distributed, this is evidenced by a significance value > 0.05 , which is 0.280.

b) Heteroscedasticity Test

To see whether there is heteroscedasticity or not, it is necessary to look at the scatter plot graph, that is by looking at the points on the graph.

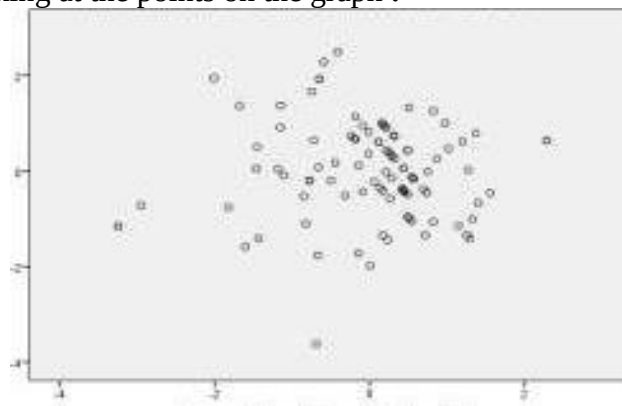


Figure 1.
Heteroscedasticity Test Results
Source: Data Processing Results, 2022

Figure 1 shows that small circles are seen randomly scattered throughout the area either above or below the number 0. This means that heteroscedasticity in the regression model of this study did not occur.

c) Multicollinearity Test

Table 8.
Multicollinearity Test Results

Variable	Collinearity Statistics		Information
	tolerance	VIF	
Financial Literacy (FL) (X1)	0.356	3.645	Multicollinearity Free
Risk Perception (RP) (X2)	0.347	4.015	Multicollinearity Free
Investment Decision (ID) (Y)	0.358	3,810	Multicollinearity Free

Source: Data Processing, 2022

If the *tolerance value* is > 0.10 or < 1 and $VIF < 10$, then multicollinearity does not occur. Based on the table above it can be concluded that all are free of multicollinearity, this is evidenced by a tolerance value of > 0.10 or < 1 and $VIF < 10$

Multiple Linear Regression Analysis

Table 9.

Multiple Regression Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	B	std. Error	Betas		
Constant	5,800	6,510		.880	.379
Financial Literacy	.305	.085	.200	2,210	.000
Risk Perception	.450	.060	.470	6,290	.000

Source: Data Processing, 2022

Based on the results in Table 9 above, the multiple linear regression equation model 1 can be formulated as follows: From the above equation it can be read that, if the financial literacy and risk perception variables are worth 0, then the investment decision already has a value of 5,800 units. FL (financial literacy) in testing the hypothesis regarding the influence of financial literacy variables on investment decisions shows a t-count value of 0.305 with a significance value of 0.00 and is in accordance with the hypothesis. This means that financial literacy has a significant positive influence on investment decisions. Thus hypothesis 1 is accepted. The RP (risk perception) variable in testing the hypothesis regarding the effect of the risk perception variable on investment decisions shows a t-value of 0.450 with a significance value of 0.000 and is in accordance with the hypothesis. This means that risk perception has a significant positive effect on investment decisions. Thus hypothesis 2 is accepted. The above equation shows the relationship between variables. The relationship created between FL (financial literacy) and RP (risk perception) on investment decisions is significant positive, which means that when financial literacy and risk perception increase, investment decisions will increase.

F test

Table 10.

F test results

Model	Sum of Squares	df	MeanSquare	F	Sig
Regression	1760,500	2	881.250	39.025	.000b
residual	2213.250	98	23.670		
Total	3970825	98			

Source: Data Processing, 2022

The statistical F test basically shows whether all the independent variables included in the regression model have a joint effect on the dependent variable. Table 10 above indicates that the calculated F value is 39,025 with a significance level of 0.000.

Determination Coefficient Test (R^2)

Table 11.

Determination Test Results (R^2)

Model	R	R Square	Adjusted R Square	std. Error of the Estimate
1	.650a	.460	.465	4.825

Source: Data Processing, 2022

Table 11 above shows that the Adjusted R^2 value obtained is 0.465, meaning that investment decisions can be explained by the independent variables, namely financial literacy and risk perception of 46.5%. the remaining 53.5% is explained by other variables not included in this study.

Hypothesis Testing (T Test)

Table 12.
T test results

Model	t	Sig.
Financial Literacy	2.210	.000
Risk Perception	6.290	.000

Source: Data Processing, 2022

3.2. Discussion

Based on Table 9 above, it can be concluded that the first hypothesis in this study is that financial literacy has a significant positive effect on investment decisions. Based on the table it is known that the FL coefficient value is positive 0.305 and the t-count value is 2.210 with a significance of $0.00 < 0.05$. with this means that financial literacy has a positive and significant effect on the investment decisions of the millennial generation in the era of society 5.0 . Therefore, the relationship is in accordance with the first hypothesis, then the first hypothesis is accepted. This value indicates that if there is an increase in financial literacy by 1 unit, the investment decisions of the millennial generation will increase by 0.305 units.

The second hypothesis in this study is that risk perception has a significant positive effect on investment decisions. Based on the table it is known that the RP coefficient value is positive 0.450 and the t-count value is 6.290 with a significance of $0.000 < 0.05$. with this means that risk perception has a positive and significant effect on the investment decisions of the millennial generation in the era of society 5.0 . Therefore, this relationship is in accordance with the second hypothesis, then the second hypothesis is accepted. This value indicates that if there is an increase in risk perception of 1 unit, then the millennial generation's investment decisions will increase by 0,450 units .

Financial literacy has a significant influence on one's investment decisions. People who have a high level of financial literacy tend to find it easier to understand financial concepts and make the right financial decisions, including investment decisions. They are also more likely to have clear financial goals and have a structured financial plan that can assist them in making the right investment decisions (Putri, NMDR, & Rahyuda, 2017).

In addition, people who have a high level of financial literacy are also more likely to understand the risks associated with investing and are more likely to take steps to manage or avoid these risks. They are also more likely to choose investments that suit their long-term financial goals and are more likely to choose investment products that suit their risk profile (Pramedi, AD, & Haryono, 2021).

However, keep in mind that a high level of financial literacy does not always guarantee successful investment decisions. There is still a risk of failure in investing that must be recognized and avoided as best as possible. Therefore, it is important for every individual to continue to learn and improve their level of financial literacy so they can make the right investment decisions.

Another factor that also influences investment decisions is risk perception, risk perception also has a significant influence on one's investment decisions. People who have a high risk

perception tend to be more selective in choosing investments and tend to avoid investments that have a high level of risk. They are also more likely to choose investments that suit their long-term financial goals and are more likely to choose investment products that suit their risk profile (Wulandari, DA, & Iramani, 2014).

In addition, people who have a high risk perception are also more likely to understand the risks associated with investing and are more likely to take steps to manage or avoid those risks. They are also more likely to make investment decisions that are measured and thought through, thus reducing the risk of failure in investing (Yolanda, Y., & Tasman, 2020).

Conversely, people who have a low risk perception tend to be easier to take risks and are more inclined to take investments that have high potential returns, even though they also have a high level of risk. This can increase the risk of failure in investing for the individual. Therefore, it is important for every individual to understand and manage risk properly in order to make the right investment decisions (Rengku, 2012).

The results of this study refine and are in line with the results of previous studies ((Putri, NMDR, & Rahyuda, H. 2017; Budiarto, A., & Susanti, S. 2017; Pradikasari, E., & Isbanah, Y. 2018; Mutawally, FW, & Asandimitra, N. 2019; Yolanda, Y., & Tasman, A. 2020; Dewi, NPPK, & Krisnawati, A. 2020; Sulistyowati, A., Rianto, MR, Handayani, M., & Bukhari, E. 2022) which explains that financial literacy and risk perception influence investment decisions.

4. Conclusion

Based on the results of data processing and the results of research on the analysis of the influence of financial literacy and risk perception on investment decisions for the millennial generation in the era of society 5.0. the authors can draw conclusions: 1) Financial literacy has a positive and significant effect on the investment decision of the millennial generation in the society 5.0 era, 2) Risk perception has a positive and significant effect on the investment decision of the millennial generation in the society 5.0 era, and 3) Financial literacy and risk perception have an effect positive and significant impact on the investment decisions of the millennial generation in the era of society 5.0.

Based on the conclusions regarding the analysis of the influence of financial literacy and risk perception on the investment decisions of the millennial generation in the era of society 5.0, the authors provide recommendations: 1) Millennials should improve financial literacy by learning and practicing various skills related to budgeting, paying off debt, managing financial services, as well as understanding the products issued by financial services and increasing risk perception by means of education, reading, and training on risk management so that investment decisions also increase, and 2) For future researchers, it is best to conduct research with other variables that are also thought to influence the investment decisions such as economic, social and others.

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